



# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

ROBERT E. LIST, CPA  
STEWART J. REID, CPA  
MICHAEL L. HANISKO, CPA  
DAVID D. QUIMBY, CPA  
KATHLYN M. ENGELHARDT, CPA  
RENAE M. CLEVINGER, CPA  
AMY L. RODRIGUEZ, CPA  
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA  
ROY A. SCHAIRER, CPA  
JAMES L. WHALEY, CPA  
JEROME L. YANTZ, CPA  
PHILIP T. SOUTHGATE, CPA  
ROBERT J. DUYCK, CPA

## FREEMAN TOWNSHIP CLARE COUNTY, MICHIGAN

### FINANCIAL STATEMENTS MARCH 31, 2008

601 BEECH STREET  
POST OFFICE BOX 297  
CLARE, MI 48617  
989-386-3481  
FAX 989-386-3462  
[www.wf-cpas.com](http://www.wf-cpas.com)  
[wf@wf-cpas.com](mailto:wf@wf-cpas.com)

OFFICES: BAY CITY, CLARE,  
GLADWIN AND WEST BRANCH

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## Independent Auditors' Report

August 7, 2008

Township Board  
Freeman Township  
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freeman Township as of and for the year ended March 31, 2008, which collectively comprise the Freeman Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Freeman Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Freeman Township as of March 31, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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## WEINLANDER FITZHUGH

To the Township Board  
Freeman Township  
August 7, 2008

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Weinlander Fitzhugh*

**FREEMAN TOWNSHIP**  
Management's Discussion and Analysis  
For the Year Ended March 31, 2008

Our discussion and analysis of the Freeman Township's (Township) financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008.

**Financial Highlights**

The Township's net assets increased by \$141,313 or 23%. Program revenues were \$274,373 or 64% of total revenues and general revenues were \$155,579 or 36%.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Freeman Township financially as a whole. The Government-wide Financial Statements provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant funds – the General, Fire, Road and Garbage Collection Funds, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Budgetary Information for the Major Funds (Required Supplemental Information)

**FREEMAN TOWNSHIP**  
Management's Discussion and Analysis  
For the Year Ended March 31, 2008

**Reporting the Township as a Whole**

*The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base and facility conditions in arriving at their conclusion regarding the overall health of the Township.

**Reporting the Township's Most Significant Funds**

*Fund Financial Statements*

The Township's fund financial statements provide detail information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue. The Township's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

*Governmental Funds*

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

**FREEMAN TOWNSHIP**  
Management's Discussion and Analysis  
For the Year Ended March 31, 2008

*Fiduciary Funds*

The Township is the trustee, or fiduciary, for tax collections. All of the Township's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

**Township-wide Financial Analysis**

The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of March 31, 2008 and 2007.

<b>Exhibit A</b>	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Current and other assets	\$ 718,668	\$ 574,828
Capital assets - net of accumulated depreciation	<u>96,462</u>	<u>94,477</u>
Total assets	<u>815,130</u>	<u>669,305</u>
<b>Liabilities</b>		
Current liabilities	60,226	2,381
Long-term liabilities	<u>0</u>	<u>53,333</u>
Total liabilities	<u>60,226</u>	<u>55,714</u>
<b>Net Assets</b>		
Invested in capital assets	96,462	94,477
Restricted	501,949	421,862
Unrestricted	<u>156,493</u>	<u>97,252</u>
Total net assets	<u>\$ 754,904</u>	<u>\$ 613,591</u>



**FREEMAN TOWNSHIP**  
Management's Discussion and Analysis  
For the Year Ended March 31, 2008

This analysis focuses on net assets. The Township's net assets were \$754,904 at March 31, 2008. Capital assets totaling \$96,462 compares the original costs, less depreciation of the Township's capital assets.

The \$156,493 in unrestricted net assets of governmental type activities represents the *accumulated* results of all past years' operations. The operating results of the General and Special Revenue Funds will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities. Below, Exhibit B shows the changes in net assets for the years ended March 31, 2008 and 2007.

**FREEMAN TOWNSHIP**  
Management's Discussion and Analysis  
For the Year Ended March 31, 2008

<b>Exhibit B</b>	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 274,373	\$ 264,987
General revenue:		
Property taxes	66,416	64,999
State shared revenues	80,076	76,282
Other	9,087	4,132
	<u>429,952</u>	<u>410,400</u>
Total revenue		
<b>Function/Program Expenses</b>		
General government	139,424	137,289
Public safety	57,462	57,617
Public works	47,434	47,373
Highways and streets	29,822	32,878
Recreation and culture	1,118	1,118
Planning, zoning and inspector	13,379	10,515
	<u>288,639</u>	<u>286,790</u>
Total expenses		
<b>Change in Net Assets</b>	<u>\$ 141,313</u>	<u>\$ 123,610</u>

**FREEMAN TOWNSHIP**  
Management's Discussion and Analysis  
For the Year Ended March 31, 2008

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$288,639. Certain activities were partially funded from those who benefited from the programs or by the other Townships and organizations that subsidized certain programs with grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$66,416 in taxes, \$80,076 in State shared revenues and with our other revenues, such as interest and miscellaneous revenues.

The Township experienced an increase in net assets of \$141,313. Key reason for the change in net assets was an increases in expenses were partially off set by an increase in revenue from property taxes, roads, fire and charges for rubbish removal. The change in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

**The Township's Funds**

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

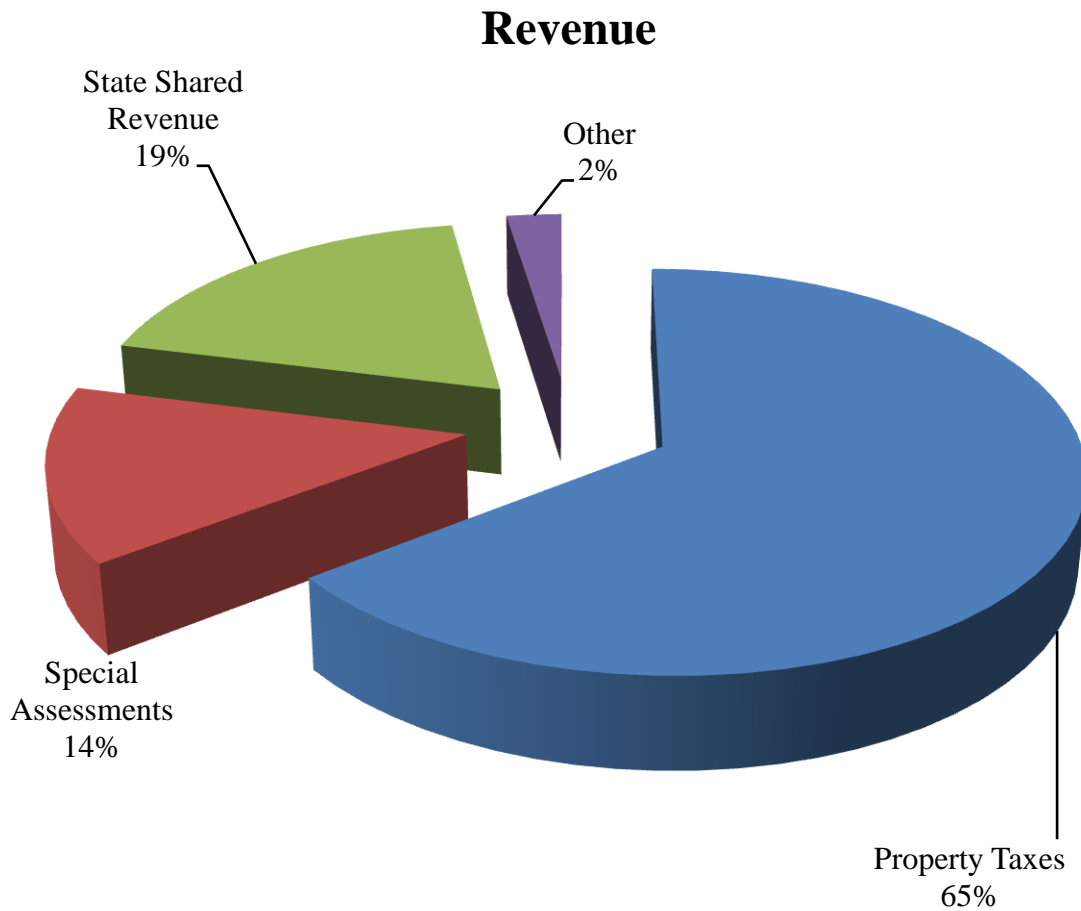
The Township's governmental funds reported a combined fund balance of \$658,442, which is above last year's total of \$572,447. The schedule below indicates the fund balance and the total change in fund balances as of March 31, 2008 and 2007.

	<u>Fund Balance</u> <u>March 31, 2008</u>	<u>Fund Balance</u> <u>March 31, 2007</u>	<u>Change</u>
General	\$ 156,493	\$ 150,585	\$ 5,908
Fire	0	0	0
Road	387,807	315,492	72,315
Garbage Collection	<u>114,142</u>	<u>106,370</u>	<u>7,772</u>
Total	<u>\$ 658,442</u>	<u>\$ 572,447</u>	<u>\$ 85,995</u>

- Our General Fund increased \$5,908. The increase is mainly due to an increase in property tax revenue.
- Our Fire Fund remained unchanged.
- Our Road Fund increased \$72,315. The increase is mainly due to increased property tax revenue and fewer expenses in anticipation of future year's projects.
- Our Garbage Collection Fund increased \$7,772. The increase is mainly due to increased special assessment revenue.

**FREEMAN TOWNSHIP**  
Management's Discussion and Analysis  
For the Year Ended March 31, 2008

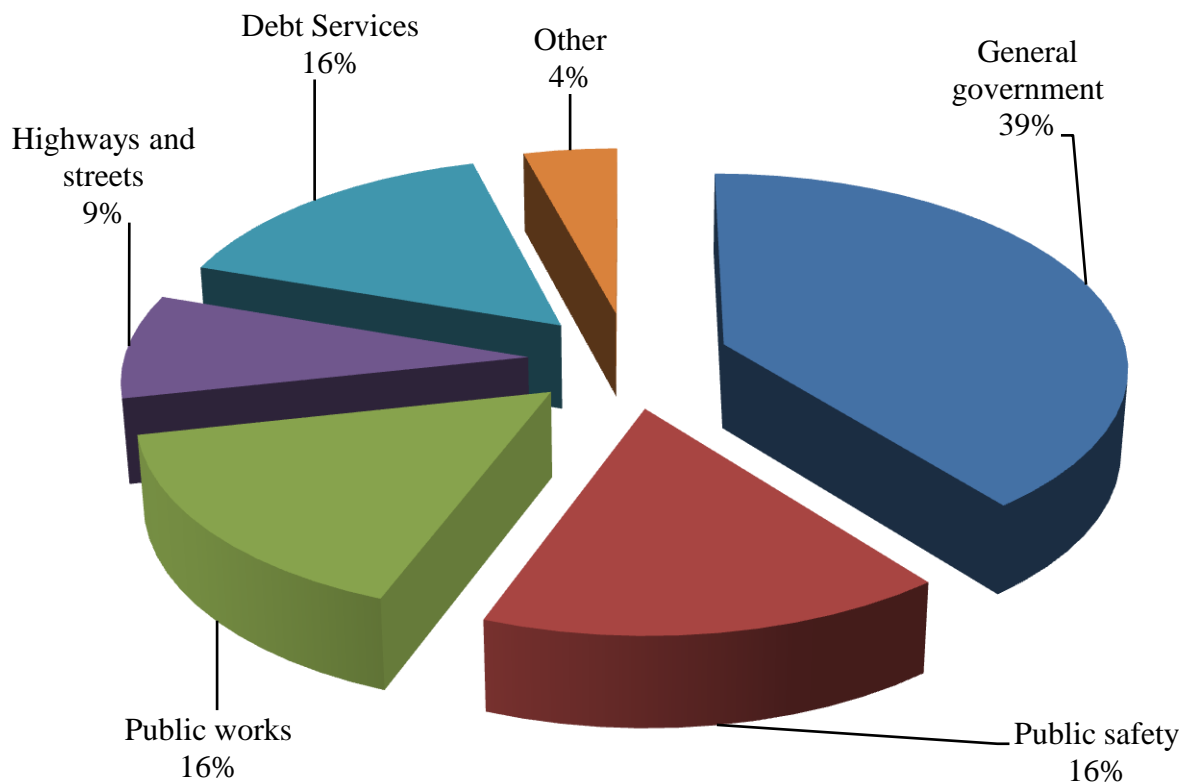
As the graph below illustrates, the largest portion of the Township's revenue comes from property taxes.



**FREEMAN TOWNSHIP**  
Management's Discussion and Analysis  
For the Year Ended March 31, 2008

The graph below illustrates, 39% of the Townships' resources are spent on general government expenses such as administrative costs and hall and grounds, including utilities. Another 9% is spent on highways and streets, while 16% is spent on fire services. The remaining 36% is spent on other services provided to the residents of the Township.

**Expenditures**



**FREEMAN TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Year Ended March 31, 2008**

The chart below compares current year expenditures with prior year.

	<u>2008</u>	<u>2007</u>
<i>Expenditures by Function</i>		
General government	\$ 135,320	\$ 137,289
Public safety	56,422	55,724
Public works	54,563	47,373
Highways and streets	29,822	32,878
Recreation and culture	1,118	1,118
Planning, zoning and inspector	13,379	12,408
Debt service	<u>53,333</u>	<u>53,333</u>
 Total	 <u><u>\$ 343,957</u></u>	 <u><u>\$ 340,123</u></u>

Expenditures are up \$3,834 or 1% over the prior year mostly due to increased wages for cost of living adjustments. The Township also experienced increases in expenditures in the costs for fire services.

**General Fund Budgetary Highlights**

Over the course of the year, the Township revises its budgets to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund budget were as follows.

- There were no changes to the revenue or expenditure original budget.
- Actual revenues were more than budgeted revenue by \$4,254. The difference is primarily due to an increase in interest and state shared revenue.
- Actual expenditures were less than budgeted expenditures by \$188,654. The difference is due to lower than expected costs for operating supplies, repairs and maintenance and the contingency expenditures were not needed.

**FREEMAN TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Year Ended March 31, 2008**

**Capital Assets**

At March 31, 2008, the Township had \$96,462 invested in a broad range of capital assets, including land, buildings, furniture and equipment, net of accumulated depreciation. This amount represents a net increase (including additions and disposals) of \$1,985, or 2%, from last year.

	<u>2008</u>	<u>2007</u>
Land	\$ 8,750	\$ 8,750
Buildings and building improvements	117,306	109,950
Furniture & Equipment	<u>28,345</u>	<u>28,345</u>
Total capital assets	154,401	147,045
Less accumulated depreciation	<u>57,939</u>	<u>52,568</u>
Net capital assets	<u><u>\$ 96,462</u></u>	<u><u>\$ 94,477</u></u>

This year's additions of \$7,356 included the installation of a privacy fence at the transfer site and a storage shed at the transfer site. No debt was issued for these additions.

We do not anticipate any major capital additions in the next fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

**Debt**

At the end of this year, the Township had no long-term debt outstanding versus \$53,333 in the previous year. The long-term debt consisted of the following:

	<u>2008</u>	<u>2007</u>
Special Assessment Bonds	<u><u>\$ 0</u></u>	<u><u>\$ 53,333</u></u>

**FREEMAN TOWNSHIP**  
Management's Discussion and Analysis  
For the Year Ended March 31, 2008

**Factors Expected to Have an Effect on Future Operations**

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. We will need to adjust Township expenditures in response to any revenue shortfall.

**Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in Freeman Township. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Freeman Township  
7280 Mannsiding Road  
Lake, MI 48632



FREEMAN TOWNSHIP  
Statement of Net Assets  
March 31, 2008

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 383,417
Receivables:	
Taxes	39,118
Internal balances	296,133
Capital assets - net of accumulated depreciation of \$57,939	<u>96,462</u>
Total Assets	<u>815,130</u>
<u>Liabilities</u>	
Accounts payable	<u>60,226</u>
Total Liabilities	<u>60,226</u>
<u>Net Assets</u>	
Invested in capital assets	96,462
Restricted for:	
Streets and highways	387,807
Rubbish removal	114,142
Unrestricted	<u>156,493</u>
Total Net Assets	<u><u>\$ 754,904</u></u>

See accompanying notes to financial statements

FREEMAN TOWNSHIP  
Statement of Activities  
For the Year Ended March 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program</u> <u>Revenues</u>	<u>Governmental</u> <u>Activities</u> <u>Net (Expense)</u> <u>Revenue and</u> <u>Change in</u> <u>Net Assets</u>
		<u>Charges for</u> <u>Services</u>	
Governmental activities:			
General government	\$ 139,424	\$ 1,505	\$ (137,919)
Public safety	57,462	56,037	(1,425)
Public works	47,434	61,361	13,927
Highways and streets	29,822	155,470	125,648
Recreation and culture	1,118	0	(1,118)
Planning, zoning and inspector	13,379	0	(13,379)
Total governmental activities	<u>\$ 288,639</u>	<u>\$ 274,373</u>	<u>(14,266)</u>
General revenues:			
Property taxes			66,416
State shared revenues			80,076
Investment earnings			6,068
Miscellaneous			3,019
Total general revenues			<u>155,579</u>
Change in net assets			141,313
Net assets at beginning of year			<u>613,591</u>
Net assets - end of year			<u>\$ 754,904</u>

See accompanying notes to financial statements

FREEMAN TOWNSHIP  
Governmental Funds  
Balance Sheet  
March 31, 2008

	General Fund	Fire Fund	Road Fund	Garbage Collection Fund	Total
<u>Assets</u>					
Cash and cash equivalents	\$ 137,402	\$ 0	\$ 209,724	\$ 36,291	\$ 383,417
Receivables:					
Taxes	6,413	6,525	17,430	8,750	39,118
Due from other funds	74,051	64,034	160,653	69,101	367,839
Total Assets	<u>\$217,866</u>	<u>\$ 70,559</u>	<u>\$387,807</u>	<u>\$114,142</u>	<u>\$ 790,374</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 4,189	\$ 56,037	\$ 0	\$ 0	\$ 60,226
Due to other funds	57,184	14,522	0	0	71,706
Total liabilities	<u>61,373</u>	<u>70,559</u>	<u>0</u>	<u>0</u>	<u>131,932</u>
<u>Fund Balance</u>					
Reserved for streets and highways	0	0	387,807	0	387,807
Reserved for rubbish removal	0	0	0	114,142	114,142
Unreserved	156,493	0	0	0	156,493
Total fund balance	<u>156,493</u>	<u>0</u>	<u>387,807</u>	<u>114,142</u>	<u>658,442</u>
Total Liabilities and Fund Balance	<u>\$217,866</u>	<u>\$ 70,559</u>	<u>\$387,807</u>	<u>\$114,142</u>	<u>\$ 790,374</u>

See accompanying notes to financial statements

FREEMAN TOWNSHIP  
Reconciliation of Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
March 31, 2008

Total fund balance - governmental funds	\$ 658,442
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	154,401
Accumulated depreciation	<u>(57,939)</u>
Total net assets - governmental activities	<u><u>\$ 754,904</u></u>

See accompanying notes to financial statements

FREEMAN TOWNSHIP  
Governmental Funds  
Statement of Revenues, Expenditures and  
Change in Fund Balance  
For the Year Ended March 31, 2008

	General Fund	Fire Fund	Road Fund	Garbage Collection Fund	Total
<u>Revenues</u>					
Property taxes	\$ 66,416	\$ 56,037	\$ 155,470	\$ 0	\$ 277,923
Special assessments	0	0	0	61,361	61,361
Licenses, fees and permits	1,505	0	0	0	1,505
State shared revenues	80,076	0	0	0	80,076
Interest and rentals	6,068	0	0	0	6,068
Other revenues	3,019	0	0	0	3,019
Total revenues	<u>157,084</u>	<u>56,037</u>	<u>155,470</u>	<u>61,361</u>	<u>429,952</u>
<u>Expenditures</u>					
Current:					
General government	135,320	0	0	0	135,320
Public safety	385	56,037	0	0	56,422
Public works	974	0	0	53,589	54,563
Highways and streets	0	0	29,822	0	29,822
Recreation and culture	1,118	0	0	0	1,118
Planning, zoning and inspector	13,379	0	0	0	13,379
Debt service:					
Principal	0	0	53,333	0	53,333
Total expenditures	<u>151,176</u>	<u>56,037</u>	<u>83,155</u>	<u>53,589</u>	<u>343,957</u>
Excess of revenues over expenditures	5,908	0	72,315	7,772	85,995
Fund balance - beginning of year	<u>150,585</u>	<u>0</u>	<u>315,492</u>	<u>106,370</u>	<u>572,447</u>
Fund balance - end of year	<u>\$ 156,493</u>	<u>\$ 0</u>	<u>\$ 387,807</u>	<u>\$ 114,142</u>	<u>\$ 658,442</u>

See accompanying notes to financial statements

**FREEMAN TOWNSHIP**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Year Ended March 31, 2008**

Net change in fund balance - total governmental funds	\$ 85,995
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Capital outlay	7,356
Depreciation expense	(5,371)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Other costs related to debt issuance and retirement use governmental fund resources but recognize them as expenses through amortization on the statement of net assets:	
Repayment of bonds	<u>53,333</u>
Change in net assets of governmental activities	<u><u>\$ 141,313</u></u>

See accompanying notes to financial statements

FREEMAN TOWNSHIP  
Statement of Fiduciary Net Assets  
March 31, 2008

	<u>Current Tax Fund</u>
<u>Assets</u>	
Cash	\$     315,893
	<u>                    </u>
<u>Liabilities</u>	
Due to other funds	\$     296,133
Due to other governmental units	<u>          19,760</u>
	<u>\$     315,893</u>

See accompanying notes to financial statements

FREEMAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Freeman Township (Township) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by Freeman Township.

**Reporting Entity**

Freeman Township is governed by an elected five member council (Board). The accompanying financial statements present the government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include, (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



FREEMAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental funds.

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire Fund accounts for Township fire protection service activities.

The Road Fund accounts for activities that help to maintain the roads in the Township.

The Garbage Collection Fund accounts for the operation of the Township transfer station.

**Assets, Liabilities, and Net Assets or Equity**

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

FREEMAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings, machinery and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Building, vehicles and equipment are being depreciated using the straight-line method over the following useful lives.

Buildings	40 Years
Building improvements	15 to 25 Years
Vehicles	5 to 15 Years
Fire equipment	5 to 15 Years
Office equipment	5 to 15 Years
Computer equipment	3 to 5 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

FREEMAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Freeman Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township's supervisor submits to the Board a proposed budget prior to April 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

FREEMAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2008

**NOTE 2 – BUDGETS (CONTINUED)**

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General, Fire, Road and Garbage Collection Funds are presented as Required Supplemental Information.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and cash equivalent:	\$ 383,417	\$ 315,893	\$ 699,310

**Custodial credit risk – deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$600,440 of the Township's bank balance of \$700,440 was exposed to custodial credit risk because it was uninsured and uncollateralized.

FREEMAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2008

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

The Township's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

As of March 31, 2008, the Township had no investments.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity of the Township for the current year was as follows:

	Balance April 1, 2007	Additions	Disposals and Adjustments	Balance March 31, 2008
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 8,750	\$ 0	\$ 0	\$ 8,750
Capital assets being depreciated:				
Buildings	101,850	1,730	0	103,580
Building improvements	8,100	5,626	0	13,726
Furniture & Equipment	28,345	0	0	28,345
Subtotal	138,295	7,356	0	145,651
Less accumulated depreciation for:				
Buildings	42,598	2,632	0	45,230
Building improvements	473	411	0	884
Furniture & Equipment	9,497	2,328	0	11,825
Subtotal	52,568	5,371	0	57,939
Net capital assets being depreciated	85,727	1,985	0	87,712
Governmental Activities, Total				
Capital Assets - Net of Depreciation	\$ 94,477	\$ 1,985	\$ 0	\$ 96,462

FREEMAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2008

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to programs of the Township as follows:

General government	\$ 4,104
Public safety	1,040
Public works	<u>227</u>
Total Governmental Activities	<u>\$ 5,371</u>

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

A summary of inter-fund receivable and payable balances at March 31, 2008, is shown below. There were no transfers during the year.

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 74,051	\$ 57,184
Fire Fund	64,034	14,522
Road Fund	160,653	0
Garbage Collection Fund	69,101	0
Current Tax Fund	<u>0</u>	<u>296,133</u>
	<u>\$ 367,839</u>	<u>\$ 367,839</u>

The primary purpose of the receivables/payables is to reflect amounts due from the current tax fund and general fund for prior and current year tax revenues that were not distributed to the funds as of March 31, 2008.

FREEMAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2008

**NOTE 6 – LONG-TERM DEBT**

Long-term debt obligation activity can be summarized as follows:

	Balance April 1, 2007	Additions	Retirements and Adjustments	Balance March, 2008
Debt	\$ 53,333	\$ 0	\$ 53,333	\$ 0

Freeman Township entered into special assessment bonds with interest rates of 2.65% to 4.15% due March 31, 2008.

Total interest costs for the year ended March 31, 2008 was \$0.

**NOTE 7 - RISK MANAGEMENT**

Freeman Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Freeman Township participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with Freeman Township.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

FREEMAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2008

**NOTE 7 - RISK MANAGEMENT (CONTINUED)**

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

**NOTE 8 - PENSION PLAN**

The Township provides pension benefits to certain qualified employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 7.5% percent of employees' gross earnings and employee contributions for each employee plus interest allocated to the employee's account are immediately fully vested.

The Township's total payroll during the current year was \$59,537. The current year contribution was calculated based on covered payroll of \$40,462, resulting in an employer contribution of \$3,035.



FREEMAN TOWNSHIP  
Required Supplemental Information  
Budgetary Comparison Schedule - General Fund  
For the Year Ended March 31, 2008

	Original Budget	Final Amended Budget	Actual
<u>Revenues</u>			
Property taxes	\$ 70,822	\$ 70,822	\$ 66,416
Licenses, fees and permits	1,595	1,595	1,505
State shared revenues	77,613	77,613	80,076
Interest and rentals	900	900	6,068
Other revenues	1,900	1,900	3,019
Total revenues	<u>152,830</u>	<u>152,830</u>	<u>157,084</u>
<u>Expenditures</u>			
Current:			
General government	154,478	154,478	135,320
Public safety	385	385	385
Public works	1,744	1,744	974
Recreation and culture	1,118	1,118	1,118
Planning, zoning and inspector	14,114	14,114	13,379
Contingency	167,991	167,991	0
Total expenditures	<u>339,830</u>	<u>339,830</u>	<u>151,176</u>
Excess (deficiency) of revenues over expenditures	(187,000)	(187,000)	5,908
Fund balance - beginning of year	<u>187,000</u>	<u>187,000</u>	<u>150,585</u>
Fund balance - end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 156,493</u>

FREEMAN TOWNSHIP  
Required Supplemental Information  
Budgetary Comparison Schedule - Fire Fund  
For the Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>Revenues</u>			
Property taxes	<u>\$ 62,567</u>	<u>\$ 62,567</u>	<u>\$ 56,037</u>
<u>Expenditures</u>			
Current:			
Public safety	62,120	62,120	56,037
Contingency	<u>49,315</u>	<u>49,315</u>	<u>0</u>
Total expenditures	<u>111,435</u>	<u>111,435</u>	<u>56,037</u>
Excess (deficiency) of revenues over expenditures	(48,868)	(48,868)	0
Fund balance - beginning of year	<u>48,868</u>	<u>48,868</u>	<u>0</u>
Fund balance - end of year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

FREEMAN TOWNSHIP  
Required Supplemental Information  
Budgetary Comparison Schedule - Road Fund  
For the Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>Revenues</u>			
Property taxes	<u>\$ 170,661</u>	<u>\$ 170,661</u>	<u>\$ 155,470</u>
<u>Expenditures</u>			
Current:			
Highways and steets	56,667	56,667	29,822
Contingency	270,361	270,361	0
Debt Service	<u>53,333</u>	<u>53,333</u>	<u>53,333</u>
Total expenditures	<u>380,361</u>	<u>380,361</u>	<u>83,155</u>
Excess (deficiency) of revenues over expenditures	(209,700)	(209,700)	72,315
Fund balance - beginning of year	<u>209,700</u>	<u>209,700</u>	<u>315,492</u>
Fund balance - end of year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 387,807</u></u>

**FREEMAN TOWNSHIP**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - Garbage Collection Fund**  
**For the Year Ended March 31, 2008**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>Revenues</u>			
Special assessments	<u>\$     70,111</u>	<u>\$     70,111</u>	<u>\$     61,361</u>
<u>Expenditures</u>			
Current:			
Public works	61,750	61,750	53,589
Contingency	<u>111,318</u>	<u>111,318</u>	<u>0</u>
Total expenditures	<u>173,068</u>	<u>173,068</u>	<u>53,589</u>
Excess (deficiency) of revenues over expenditures	(102,957)	(102,957)	7,772
Fund balance - beginning of year	<u>102,957</u>	<u>102,957</u>	<u>106,370</u>
Fund balance - end of year	<u><u>\$         0</u></u>	<u><u>\$         0</u></u>	<u><u>\$     114,142</u></u>



# WEINLANDER FITZHUGH

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ROBERT J. DUYCK, CPA

August 7, 2008

Township Board  
Freeman Township  
Clare County, Michigan

In planning and performing our audit of the financial statements of Freeman Township (Township) as of and for the year ended March 31, 2008, in accordance with U.S. generally accepted auditing standards. We considered Freeman Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

601 BEECH STREET  
POST OFFICE BOX 297  
CLARE, MI 48617  
989-386-3481  
FAX 989-386-3462  
[www.wf-cpas.com](http://www.wf-cpas.com)  
[wf@wf-cpas.com](mailto:wf@wf-cpas.com)

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# WEINLANDER FITZHUGH

Township Board  
Freeman Township  
Page 2  
August 7, 2008

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. We consider the following significant deficiencies to be a material weaknesses:

## **Financial Reporting**

As part of our consideration of the internal control over financial reporting, we as auditors are not allowed to be considered to be part of Freeman Township's internal controls. In taking this required position, we must consider whether the Township has the ability, on its own, to monitor and report financial activity in accordance with our professional standards without auditor involvement.

The Township uses accounting software as a management tool to monitor the financial status of the Township, to facilitate the preparation and amendment of budgets and to compare budgeted amounts to actual results. In addition, the Township demonstrates the ability to report fund level activities, monitor fiduciary fund activities (including tax collections and disbursements) and report on certain fund level note disclosures. Due to the complexity of the required government wide financial statements and related note disclosures in accordance with GASB 34, the Township does not maintain personnel who can report in accordance with U.S. generally accepted accounting principles without auditor involvement.

## **Use of Chart of Accounts**

During testing of revenue it was noted that several official receipts were written with the incorrect chart of accounts number. It is recommended that the Treasurer follow the Township's chart of accounts when writing receipts. This allows for proper and consistent recording of revenue.



# WEINLANDER FITZHUGH

Township Board  
Freeman Township  
Page 3  
August 7, 2008

## **Property Tax Disbursements**

It was also noted that the Township made only one tax transfer during the winter 2007 tax collection period to the other Township funds for the funds share of property taxes. We recommend that amounts be disbursed in a timely manner upon receipt regardless of the entity to which they are being disbursed for cash flow purposes.

This report is intended solely for the information and use of the Township Board, management and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

*Weinlander Fitzhugh*



# WEINLANDER FITZHUGH

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August 7, 2008

Township Board  
Freeman Township  
Clare County, Michigan

In connection with our audit of the financial statements of Freeman Township (Township) as of and for the year ended March 31, 2008, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect financial statement misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the entity's ability to authorize, initiate, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

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# WEINLANDER FITZHUGH

Township Board  
Freeman Township  
Page 2  
August 7, 2008

We have separately communicated, to you and the Township Board, identified deficiencies that we determined to be significant deficiencies or material weaknesses. Certain control deficiencies that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following are descriptions of other identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

## **Segregation of Duties**

This means that there are different individuals performing different duties within a specific accounting function. Having multiple individuals performing duties in the same accounting function acts as a check and balance .

As is common in many small local government units, there is often only a few people, sometimes only one person, performing the accounting and financial functions. And it is also common to have these individuals concentrate their efforts in one area.

The Township has a lack of complete separation of duties with respect to cash collections. The collection of cash, writing of receipts and depositing of collections is centralized around one individual.

The Township has implemented compensating controls for property tax revenue through the county settlement process and state revenue sharing through the Michigan Department of Treasury, the remaining revenues collected generally have insufficient checks and balances in place.

The preceding comments are not intended to reflect on the performance or capability of any employee.

This report is intended solely for the information and use of the Township Board, management and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

*Weinlander Fitzhugh*



# WEINLANDER FITZHUGH

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August 7, 2008

Township Board  
Freeman Township  
Clare County, Michigan

We have audited the financial statements of the governmental activities each major fund, and the aggregate remaining fund information of Freeman Township for the year ended March 31, 2008, and have issued our report thereon dated August 7, 2008. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on April 16, 2008.

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[www.wf-cpas.com](http://www.wf-cpas.com)  
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# WEINLANDER FITZHUGH

Township Board  
Freeman Township  
Page 2  
August 7, 2008

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Freeman Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during they year ended March 31, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive accounting estimates affecting the financial statements.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements



## WEINLANDER FITZHUGH

Township Board  
Freeman Township  
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August 7, 2008

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 7, 2008.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board, management and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

*Weinlander Fitzhugh*